The Trillion-Dollar Vision of Dee Hock

"We are at that very point in time when a 400-year-old age is dying and another is struggling to be born - a shifting of culture, science, society, and institutions enormously greater than the world has ever experienced. Ahead, the possibility of the regeneration of individuality, liberty, community, and ethics such as the world has never known, and a harmony with nature, with one another, and with the divine intelligence such as the world has never dreamed".

By M. Mitchell Waldrop

Not the fire-and-brimstone gospel preaching of a tent revivalist - but preaching nonetheless. This is the workplace gospel of Dee Ward Hock, a 67-year-old retired banker with a powerful message of change, hope, and possibility, and the promise of a shining synthesis of chaos and order, a "chaordic organization."

Peter Senge, author of the Fifth Discipline and a leader in organizational redesign, brought in Hock last year to help reconceive his MIT center for Organizational Learning, a consortium of 20 companies dedicated to cutting-edge work in corporate adaptability. "Dee is one of the most original thinkers on the subject of organization that I've come across." Senge says.

Alan Wright, education director for the Arizona Department of Juvenile Corrections, who recently started working with Hock to organize a statewide movement for educational reform, says, "I see Dee as a leader in bringing innovative ideas to this field." And at the National 4-H Council, the not-for-profit youth arm of the U.S. Department of Agriculture's Cooperative Extension Service, which started working with Hock over a year ago, Vice President Donald Floyd says, "We've done all kinds of consultants, and we've done a lot of heavy-duty facilitator stuff. But this is different."

When he talks, Dee Hock is charismatic and compelling. But people listen to him for one reason: credibility. Unlike most visionaries - or management consultants - Hock has put his ideas into practice. More than 25 years ago he oversaw the creation of a business that was organized according to the same principles of distributed power, diversity, and ingenuity that he advocates today. And that business has prospered - to put it mildly.

Since 1970 it has grown by something like 10,000%. It continues to expand at roughly 20% per year. It now operates in some 200 countries worldwide. It serves roughly half a billion clients.

Resource Paper

And this year, its annual sales volume is expected to pass $1 trillion.

This is one of Dee Hock's favourite tricks to play on an audience. "How many of you recognize this?" he asks, holding out his own Visa card.

Every hand in the room goes up.

"Now," Hock says, "how many of you can tell me who owns it, where it's headquartered, how it's governed, or where to buy shares?"

Confused silence. No one has the slightest idea, because no one has ever thought about it.

And that, says Hock, is exactly how it ought to be. "The better an organization is, the less obvious it is," he says. "In Visa, we tried to create an invisible organization and keep it that way. It's the results, not the structure or management that should be apparent." Today the Visa organization that Hock founded is not only performing brilliantly, it is also almost mythic, one of only two examples that experts regularly cite to illustrate how the dynamic principles of chaos theory can be applied to business.

It all started back in the late 190s, when the credit card industry was on the brink of disaster. The forerunner of the Visa system - the very first credit card - was BankAmericard, which had originated a decade earlier as a statewide service of the San Francisco-based Bank of America. The card got off to a rocky start, then became reasonably profitable - until 1966, when five other California banks jointly issued a competing product they called MasterCharge.

Bank of America promptly responded, franchising BankAmericard nationwide. (In those days banks were forbidden to have their own out-of-state branches.) Other large banks quickly responded with their own proprietary cards and franchise systems. A credit card orgy ensued: banks mass-mailed pre-approved cards to any list they could find. Children were getting cards. Pets were getting cards. Convicted felons were getting cards. Fraud was rampant, and the banks were hemorrhaging red ink.

By 1968, the industry had become so self-destructive that Bank of America called its licensees to a meeting in Columbus, Ohio to find a solution. The meeting promptly dissolved into angry finger-pointing.

Enter Dee Hock, then a 38-year-old vice president at a licensee bank in Seattle. When the meeting was at its most acrimonious, he got up and suggested that the group find a method to study the issues more systematically. The thankful participants immediately formed a committee, named Hock chairman, and went home.

It was the chance Hock had been waiting for. Even then, he was a man who thought Big Thoughts. Born in 1929, the youngest child of a utility lineman in the mountain

town of North Ogden, Utah, he was a longer, an iconoclast, a self-educated mountain boy with a deeply ingrained respect for the individual and a hard-worn sense of self-worth. And he stubbornly refused to accept orthodox ideas: before he'd started with the Seattle bank he'd already walked away from fast-track jobs at three separate financial companies, each time raging that the hierarchical, rule-following, control-everything organizations were stifling creativity and initiative at the grass roots - and in the process, making the company too rigid to respond to new challenges and opportunities.

He'd been a passionate reader since before he could remember, even though his formal schooling ended after two years at a community college. He read history, economics, politics, science, philosophy, poetry - anything and everything, without paying the slightest attention to disciplinary boundaries.

What he read convinced him that the command-and-control model of organization that had grown up to support the industrial revolution had gotten out of hand. It simply didn't work.

Command-and-control organizations, Hock says, "were not only archaic and increasingly irrelevant. They were becoming a public menace, antithetical to the human spirit and destructive of the biosphere. I was convinced we were on the brink of an epidemic of institutional failure."

He also had a deep conviction that if he ever got to create an organization, things would be different. He would try to conceive it based on biological concepts and metaphors.

Now he had that chance. In June 1970, after nearly two years of brainstorming, planning, arguing, and consensus-building, control of the BankAmericard system passed to a new independent entity called National BankAmericard, Inc. (later renamed Visa International). And its CEO was one Dee W. Hock.

The new organization was indeed different - a nonstock, for-profit membership corporation with ownership in the form of non-transferable rights of participation. Hock designed the organization according to his philosophy: highly decentralized and highly collaborative. Authority, initiative, decision making, wealth - everything possible is pushed out to the periphery of the organization, to the members. This design resulted from the need to reconcile a fundamental tension. On the one hand, the member financial institutions are fierce competitors: they - not Visa - issue the cards, which means they are constantly going after other's customers. On the other hand, the members also have to cooperate with each other: for the system to work, participating merchants must be able to take any Visa card issue by any bank, anywhere.

That means that the banks abide by certain standards on issues such as card layout. Even more important, they participate in a common clearinghouse operation, the system that reconciles all the accounts and makes sure merchants get paid for each purchase, the transactions are cleared between banks, and customers get billed.

To reconcile that tension, Hock and his colleagues employed a combination of Lao Tzu, Adam Smith and Thomas Jefferson. For example, instead of trying to enforce cooperation by restricting what the members can do, the Visa bylaws encourage them to compete and innovate as much as possible. "Members are free to create, price, market, and service their own products under the Visa name," he says. "At the same time, in a narrow band of activity essential to the success of the whole, they engage in the most intense cooperation." This harmonious blend of cooperation and competition is what allowed the system to expand worldwide in the face of different currencies, languages, legal codes, customs, cultures, and political philosophies.

No one way of doing business, dictated from headquarters, could possibly have worked. "It was beyond the power of reason to design an organization to deal with such complexity," says Hock, "and beyond the reach of the imagination to perceive all the conditions it would encounter." Instead, he says, "the organization had to be based on biological concepts to evolve, in effect, to invent and organize itself."

Visa has been called "a corporation whose product is coordination." Hock calls it "an enabling organization." He also sees it as living proof that a large organization can be effective without being centralized and coercive. "Visa has elements of Jeffersonian democracy, it has elements of the free market, of government franchising - almost every kind of organization you can think about," he says. "But it's none of them. Like the body, the brain, and the biosphere, it's largely self-organizing."

It also works. Visa grew phenomenally during the 1970s, from a few hundred members to tens of thousands. And it did so more or less smoothly, without dissolving into fiefdoms and turf wars. By the early 1980s, in fact, the Visa system had surpassed MasterCard as the largest in the world. It had begun to fulfil Hock's vision of a universal currency, transcending national boundaries. And Dee Hock was seen as the system's essential man.

"Utter nonsense," Hock says. "It's the organizational concepts and ides that were essential. I merely came to symbolize them. Such organizations should be management-proof."

In May 1984, at 55, Hock put his beliefs to the test. He resigned from Visa and three months later, with his successor in place, dropped completely from sight. Six years later, in an acceptance speech as a laureate of the Business Hall of Fame, Hock put it this way: "Through the years, I have greatly feared and sought to keep at bay the four beasts that inevitably devour this keeper - Ego, Envy, Avarice, and Ambition. In 1984, I severed all connections with business for a life of isolation and anonymity, convinced I was making a great bargain by trading money for time, position for liberty, and ego for contentment - that the beasts were securely caged."

Visa never missed a beat.

Thinking back on that particular Saturday afternoon at the Santa Fe Institute - March 13, 1993, Joel Getzendanner remembers his first reaction: "Oh great! A banker."

At the time, Getzendanner was vice president for programs at the Joyce Foundation, a mid-sized philanthropic organization in Chicago. Its motto: "Putting the next generation of policy ideas in practice." After five years there, trying to stimulate those new ideas in areas such as environmental policy, K-12 school reform, and inner city economic development, he was getting discouraged. "The issues were real," he sighs, "but we weren't making much progress."

That's why he found himself at the Santa Fe Institute: he was looking for fresh thinking and unusual insight. The little New Mexico think thank, founded a decade earlier by scientists from nearly Los Alamos National Laboratory, had gained celebrity status among the digital elite based on its innovative thinking about economies, social interactions, organizations, brains, ecosystems - any kind of system that seemed to be complex, adaptive, and self-organizing. Getzendanner particularly liked the way the Santa Fe Institute's collection of prize-winning thinkers and scientists tried to deal with issues in all their complex messiness, instead of oversimplifying them.

Which is why he was underwhelmed at the suggestion that he chat with another visitor, a former banker named Dee Hock. Insight was not what he expected to hear from a banker.

Of course, says Getzendanner, he later realized that Hock had been thinking, "Oh great! A foundation executive!"

Soon both men found reason to reconsider. Hock had read about the Santa Fe Institute and its work on "the edge of chaos": the notion that healthy, adaptive systems will always exhibit a kind of dynamic tension between chaos and order. It fit in beautifully with the dynamic tension that he'd set up in Visa: encourage as much competition and initiative as possible throughout the organization - "chaos" - while building in mechanisms for cooperation - "order."

Hock had even coined a new word to describe this kind of tension. A system that was both chaotic and ordered as "chaordic". Thus you had the "Visa chaord," the "brain chaord," and so on. When he gave the dinner speech that evening at the Santa Fe Institute, he used the word in public for the first time.

"At first I thought it was just cute," says Getzendanner. "But then I began to realize it was profound." Hock's description of how Visa couldn't be designed from the top down, because banks and payment systems were so different in each jurisdiction, matched Getzendanner's experience. In every area where the Joyce Foundation was active, that was the problem. In inner city development, for example, every individual's needs and situations are different, yet the old-line, Great Society-style programs force everyone into lock step - and quash individual initiative. Or in public education, where

educational decisions really need to be made as close as possible to the individual student - and almost never are.

"As he told me the Visa story," says Getzendanner, "I started getting a sense that this is an enormous institution, and yet it distributes power in a way I'd never heard of. And I realized that here were some ideas that might be meaningful to what we were trying to do at Joyce."

Getzendanner also began to realize that Hock was a discouraged man. He clearly was passionate about the principles he'd used at Visa. But he didn't seem to think that anyone would care. That , as much as anything, was why he'd left visa: for all of the organization's success, Hock insisted it had implemented only 25% of the idea. He'd gotten tired of beating his head against a stone wall. Except that now, in 1993, Getzendanner could sense that Hock really did want to talk about his ideas. "So I became determined to provoke him into doing something about his beliefs," he says.

The first step, obviously, was to convince Hock that there were people willing to listen. With some effort, Getzendanner persuaded him to come to the Joyce Foundation that October, when a group of grantees would be talking about how to design a system for welfare recipients to accumulate assets and work their way out of poverty. "So Dee gave this 15-minute speech about Visa and organizations," says Getzendanner "and he was saying that we were going about this backwards - that we were trying to devise something complicated instead of something simple. Well, it just blew my meeting apart."

The participants scraped the rest of their formal agenda and spent the meeting talking about Hock's ideas. Hock was intrigued, says Getzendanner - but not yet hooked. So his campaign continued, mostly via long-distance telephone:

Getzendanner: Dee, what is keeping you from spreading your word around?

Hock: Joel, I've done my bit. Besides, it's ridiculous to think about massive change.

Getzendanner: Is it any more ridiculous than the questions you asked about payment systems in 1968?

Hmmm. Hock had to think about that one. After much pondering, he called Getzendanner back. He'd have to see four things:

First: At least five or six large, extremely successful examples of chaordic organizations. And not just in the banking industry, but also in such diverse areas as education, government, social services, and environmental management.

Second: Complex, four-dimensional models of chaordic organizations would have to be developed - the fourth dimension, Hock said, was "ethical and spiritual." Ad computer models would have to built to demonstrate how institutions can self-organize.

Third: The models would need an impeccable intellectual foundation - economic, scientific, political, historical, technical, and philosophical documentation for the inevitability of a shift to chaordic organizations.

Fourth: A "global chaordic institution" would have to be created. Its sole purpose would be to accelerate the implementation of the principles of chaordic organizations.

If all of those four things happened within the next decade or so, he told Getzendanner, then there would be a chance for fundamental change. But of course that was impossible. Institutional collapse was all but inevitable.

Getzendanner: How do you know? You didn't know that Visa was possible until you tried!

Hock: Joel, why are you so committed to this?

Hmmm. Getzendanner had to think about that one. "I said it was because every social issue I've run into in my time at Joyce had several things in common," says Getzendanner. "One is that the institutions just aren't up to the challenge. Two is that we don't have all the answers. The pieces aren't there yet to solve these problems, and we need a way to harness human creativity to find those pieces. And three is that the current system is locked in. There's so much inertia that you can't change it even when the system isn't working. So there needs to be some way of unlearning the system. And that's exactly what Dee was talking about."

And so the campaign continued, says Getzendanner. "From the fall of 1993 until early 1994. I was trying to get Dee to take our money - and he was reluctant. I think he was afraid he might discover the four objectives were possible and become obsessed with trying to realize them. And if that happened, he would give it 110%. After the Visa experience he had no illusions about the price that would exact - it would devour his life. He just hadn't yet reached the conclusion that this is what he wanted to do."

In fact, says Getzendanner, it was February 1994 before Hock finally called and said okay. He'd decided he couldn't face his seven grandchildren if he didn't give it a try. If the Joyce Foundation would cover his travel expenses, he would spend a year exploring his conviction that the four objectives were impossible. If he changed his mind, he'd suggest to the Joyce Foundation what it would take to set them in motion.

Done! The formal presentation to the Joyce Foundation trustees came at the end of March 1994. Hock told them that the whole idea was crazy. If he were in their shoes, he'd say no. So of course they said yes: Hock got a grant of $135,000

And Getzendanner was already flipping through his Rolodex, coming up with people for Hock to see. "And so," Hock says, "I set out on an odyssey more improbably than Visa and infinitely more important. For the first time, I knew what my life was all

about. Everything else was preparatory. I expect to pursue those objectives for the remainder of my days." And eighteen months and hundreds of meetings later, Hock became convinced that there was some chance the four objectives could be realized.

A Portrait of Dee Hock, Giving it 110%:

"This is going to be the hardest work you'll ever do," he says. It is a promise he makes to every group he works with "Most of you will want to quit. And before it's over, quite a few of you will."

Why? Because he's got not intention of giving you a precise organizational plan and telling you how to implement it - not even the Visa plan. For one thing, the Visa bylaws were designed for credit cards; they aren't transferable. For another, the world changes too fast, making detailed plans obsolete before you can implement them. No, he says: "Far better than a precise plan is a clear sense of direction and compelling benefits. And that lies within you. The question is, how do you evoke it?"

To start with, he says, "unless we can define a purpose for this organization that we can all believe in, we might as well go home." That's "purpose" as in "We the people of the United States of America, in order to form a more perfect union ...." The purpose has to be an authentic statement of what the organization is about, not some platitude cooked up by a consultant.

Next, you're going to have to agree on a set of principles for the organization. That's "principles" as in, "We hold these truths to be self-evident: that all men are created equal ...." Again this isn't a bunch of platitudes, but a manifest of what the people in the organisation believe in and care about in their gut. And getting there is going to be downright excruciating. You're going to struggle to articulate things you never even knew you felt. How do you really feel about power, for example, or autonomy, or job security, or how the money flows?

Executives and secretaries alike are going to find themselves breaking down in tears. It's going to take a year - or more. but it's absolutely essential. Because what we're trying to do is build a community. And it's only when that community has solid agreement on purposes and principles that you can start talking about the concept and structure of the organization.

Standard facilitator-babble?

Hardly, says MIT's Peter Senge, who has been through the process himself. "I first started taking Dee seriously when I heard him say, 'We spent a year developing a purpose and principles statement for Visa' That's not window dressing," says Senge. "He really means you to blow up the whole organization. He really wants you to dissolve the power relationships - everything."

In effect, Senge explains, Hock is looking to transform the workplace from a dictatorship, however benign, to something resembling a democracy. Of course, when you put it that way, Hock's vision may sound naive. Senge admits that the typical immediate gut reaction is, "This ain't the way business works."

Visa notwithstanding, democracy in the workplace still sounds like a recipe for dithering and paralysis. It also ignores certain verities of human nature.

Not so long ago, says Senge, Hock was addressing an audience full of CEOs. And he really had them pumping: "Great! This is how to create a learning organization that can grow at 20% per year! He's found the keys to the kingdom!" That is, until the end, when he told them about the one little problem: "You'll never be able to justify paying a CEO $1 million a year to run this kind of corporation."

"You could almost see the excitement ebbing," says Senge.

And yet - it may not be entirely crazy. There are good reasons to think that notions like "empowerment" and "decentralization" are not just the latest management fad. In a business environment marked by information technology, global competition, and fast-paced change,, web-like networks are emerging not only among businesses forming strategic partnerships, but also among environmental, human-rights, and other activist groups - even among government agencies seeking to short-circuit the bureaucracy and get something done.

It's not so crazy to think of Visa - "the corporation whose product is coordination" - as a model for how these networked organizations of the future could be managed. As Hock says, "Inherent in Visa is the archetype of the organization of the 21st century."

Hock's message has resonated most strongly in this emerging arena of distributed, networked organisations. Take the Appleseed Foundation, a public-interest group created in 1993 by consumer activist Ralph Nader and some of his classmates from the Harvard Law School class of 1958. Their idea was to create a network of state and local Appleseed Centers close to communities and responsive to their concerns, to tackle systemic problems in society: education, the cities, campaign finance reform.

Hock entered the picture in mid-1994, when Deborah Leff, president of the Joyce Foundation, introduced him to Ralph Nader. Once Hock, the former businessman, had finished bristling at the thought of Ralph Nader, the consumer advocate, he was delighted to discover that their thinking about institutions and centralized power was on exactly the same wavelength. In the spring of 1995 Appleseed began working with Hock on his purpose and principles process.

If nothing else, says Appleseed Board Member James Hostetler of the Washington law firm Kirkland and Ellis, that experience ended up enriching their notion of what systemic institutional change might really mean. "Dee gave us a language and a

methodology to approach the issue of organizational change in a much more systemic way than I would have thought possible," Hostetler says.

At the same time, adds Appleseed Executive Director Linda Singer, Hock was leading them to rethink their own operations. by that point a number of statewide Appleseed Centers were already up and running - and the board was spending more and more time worrying how to keep them from undertaking non-Appleseedish activities. "Dee made us see that the state centers had an equally valid concern," says Singer. "What if the national organization goes astray?"

So now the organization is being reconceived with a core board of directors composed primarily of representatives of participant centers - an idea that one of the big things they were worried about - that various Appleseed Centers might end up opposing each other on certain issues - was in fact an opportunity: "It's a recipe for innovation," she says. "Competition and dialogue is how you get new ideas."

Appleseed, of course, was already a going concern by the time Hock appeared, albeit a very new one. In the case of the Northwest Atlantic Marine Alliance (NAMA), however, Hock has been helping create an organization from scratch.

The process began in 1994 when Getzendanner put him in touch with Peter Shelley of the Conservation Law Foundation in Boston. Hock was wondering if a Visa-like organization might help in environmental conflicts by giving the various sides a way to resolve disputes before they went for each other's throats. Shelley replied that the had a perfect case: the fisheries of the Gulf of Maine and neighbouring Canadian waters, historically among the most bountiful on earth, were on the voyage of collapse after decades of over harvesting. Yet the fishermen, who were acutely aware of the problem, had been unable to overcome their own divisions enough to change things. Not only had they inherited a centuries-old tradition of individualism fierce enough to make the Old West cowboys look like socialists, but also the gill-netters were at odds with the bottom-draggers, who were at odds with the lobstermen - on and on.

They were united only by a general suspicion of environmental groups, and a very specific loathing for the New England Regional Fishery Management Council, a federally mandated panel that sets limits on the harvesting of various fish species, and that was widely regarded as hopelessly politicized, obtuse, and out of touch. What was needed, said Shelley, was some way of getting all these parties into a dialogue so that they could begin to work together.

Hock was happy to oblige. Shelley arranged a meeting with several dozen fishermen, lobstermen, and others who were willing to listen. Hock made quite an impression. For one thing, his story of interbank warfare and the near-collapse of the credit-card industry in the 1960s sounded remarkably like their own plight. For another, says Shelley, "They didn't perceive him as an academic, theoretical egghead who'd come up with some idea and was trying to sell it to them. He had Visa under his belt. and he

emphasized his own dirty-fingernails background, which made a difference. He treated them with a lot of respect."

Building on that start, NAMA has now gone through Hock's purpose and principles stages - yes, with strong fishermen sometimes close to tears - and has begun to grapple with more specific organizational issues: whether and how the group should get into political activism, for example, or how it might begin to organize and enforce voluntary limits on the catch.

The list goes on and on. Since the Joyce Foundation sent him on the road in 1994, Hock has started working with a wide variety of groups. He says that he now gets about five invitations per week to come spread the gospel.

Of course, Hock is the first to admit that there's a long way to go. For example, none of the organizations he's worked with has gotten much beyond the purpose and principles stage, even after a year or more of work.

Once they get into the specifics of organizational design, they have to figure out in detail how to take Visa's patented mix of Lao Tse, Adam Smith and Thomas Jefferson, and map it from the for-profit banking world to the public-interest sector, as in Appleseed, or to an all-volunteer organization, as in NAMA. It's not always clear how to do that.

On the other hand, says Hock, "What the Visa story does is give validity that these things can happen. If an ordinary vice president of an obscure bank in Seattle can do it, then anybody can."

Furthermore, he says, each success will teach us a little more about how to do it next time. "The concepts of chaordic organizations will take a century or more to mature. The idea is a baby, like a daughter or a son. We can have a vision of what it will eventually be. Be we won't see that in our lifetime. That's the fun of it, the mystery. That's why this kind of thinking becomes so enormously exciting, serious, and playful at the same time."

And he adds a caution. "It's a very difficult way to start thinking," he says. "I warn people: don't start this lightly. Because once you start, it'll put a burr under your mental saddle. It will call into question all your beliefs about organizations and management. You'll never think about them in the same way again."

Dee Hock on Management

An organization, no mater how well designed, is only as good as the people who live and work in it. Ultimately what determines the organization's performance is the approach to management its leaders take. Some of Dee Hock's management principles, in his own words:

PhD in Leadership, Short Course: Make a careful list of all things done to you that you abhorred. Don't do them to others, ever. Make another list of things done for you that you loved. Do them for others, always.

Associates: Hire and promote first on the basis of integrity; second, motivation; third, capacity; fourth, understanding; fifth, knowledge; and last and least, experience. Without integrity, motivation is dangerous; without motivation, capacity is impotent; without capacity, understanding is limited; without understanding, knowledge is meaningless; without knowledge, experience is blind. Experience is easy to provide and quickly put to good use by people with all the other qualities.

Employing Yourself: Never hire or promote in your own image. It is foolish to replicate your strength. It is idiotic to replicate your weakness. It is essential to employ, trust, and reward those whose perspective, ability, and judgment are radically different from yours. It is also rare, for it requires uncommon humility, tolerance, and wisdom.

Compensation: Money motivates neither the best people, nor the best in people. It can move the body and influence the mind, but it cannot touch the heart or move the spirit; that is reserved for belief, principle, and morality. As Napoleon observed, "No amount of money will induce someone to lay down their life, but they will gladly do so for a bit of yellow ribbon."

Form and Substance: Substance is enduring, form is ephemeral. Failure to distinguish clearly between the two is ruinous. Success follows those adept at preserving the substance of the pat by clothing it in the forms of the future. Preserve substance; modify form; know the difference. The closest thing to a law of nature in business is that form has an affinity for expense, while substance has an affinity for income.

Creativity: The problem is never how to get new, innovative thoughts into your mind, but how to get old ones out. Every mind is a room packed with archaic furniture. You must get the old furniture of what you know, think, and believe out before anything new can get in. Make an empty space in any corner of your mind, and creativity will instantly fill it.

Leadership: Here is the very heart and soul of the matter. If you look to lead, invest at least 40% of your time managing yourself - your ethics, character, principles, purpose, motivation, and conduct. Invest at least 30% managing those with authority over you, and 15% managing your peers. Use the remainder to induce those you "work for" to understand and practice the theory. I use the terms "work for" advisedly, for if you don't understand that you should be working for your mislabeled "subordinates," you haven't understood anything. Lead yourself, lead your superiors, lead your peers, and free your people to do the same. All else is trivia.

Whenever Dee Hock talks to people about chaordic organizations, someone always wants to know, "Where's the plan? How do we implement it?" But that's the wrong

question, he says, because an organization isn't a machine that can be built according to a blueprint.

"All organizations are merely conceptual embodiments of a very old, very basic idea - the idea of community. They can be no more or less than the sum of the beliefs of the people drawn to them; of their character, judgments, acts, and efforts," Hock says "An organization's success has enormously more to do with clarity of a shared purpose, common principles and strength of belief in them than to assets, expertise, operating ability, or management competence, important as they may be."

Some principles that worked for Visa:

The organization must be adaptable and responsive to changing conditions, while preserving overall cohesion and unity of purpose. This is the fundamental paradox facing businesses, governments, and societies alike, says Hock - not to mention living cells, brains, immune systems, ant colonies, and most of the rest of the natural world. Adaptability requires that the individual components of the system be in all competition. And yet cohesion requires that those same individuals cooperate with each other, thereby giving up at least some of their freedom to compete.

The trick is to find the delicate balance that allows the system to avoid turf fights and back-stabbing on the one hand, and authoritarian micro-management on the other. "Neither competition nor cooperation can rise to its highest potential unless both are seamlessly blended," says Hock. "Either without the other swiftly becomes dangerous and destructive."

The organization must cultivate equity autonomy, and individual opportunity. "Given the right circumstances," says Hock, "from no more than dreams, determination, and the liberty to try, quite ordinary people consistently do extraordinary things."

The organization's governing structure must distribute power and function to the lowest level possible. "No function should be performed by any part of the whole that could reasonably be done by any more peripheral part," says Hock, "and no power should be vested in any part that might reasonably be exercised by any lesser part."

The governing structure must not be a chain of command, but rather a framework for dialogue, deliberation, and coordination among equals. Authority, in other words, comes from the bottom up, not the top down. The U.S. federal system is designed so authority rises from the people to local, state, and federal governments; in Visa, which contains elements of the federal system, the member banks send representatives to a system of national, regional, and international boards. While the system appears to be hierarchical, the Visa hierarchy is not a chain of command. Instead, each board is supposed to serve as a forum for members to raise common issues, debate them, and reach some kind of consensus and resolution.

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